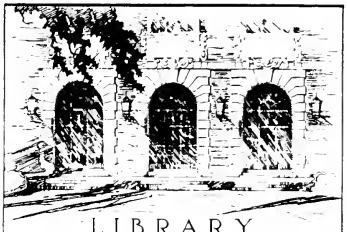

BUILDING SOCIETY LEGISLATION:

BEING

CONSIDERATIONS ON THE PRESENT STATE OF THE LAW, AND SUGGESTIONS FOR ITS AMENDMENT AND CODIFICATION.

BY

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BUILDING SOCIETY LEGISLATION.

The rapid accumulation of wealth in England during the past few years, and the necessity for finding safe and profitable investments for part of it, may be one of the chief causes of the recent great spread of Building Societies. Certain it is that they have wonderfully developed, and have become a mighty power—valuable as an investment for small periodic savings, valuable as a means of securing a fair rate of interest for accumulated savings, and especially valuable in the assistance afforded to industrious and saving men for becoming the owners of their own residences or places of business, and laying the foundation of a habitude of saving which has proved the groundwork of subsequent fortune.

The attention thus directed to such Societies has caused many legal doubts and difficulties to appear, some of them hardly worthy of attention, while some, by being impressed upon the mind of the Registrar, are having the effect of casting doubt and distrust where only confidence should reign. One of the most important is proposed to be dealt with in a Bill now before Parliament, brought in by Mr. Gourley, assisted by Sir Roundell Palmer and Mr. Stevenson. This Bill deals with the right of Societies to borrow money, or to issue paid-

up, realised, or preference shares, being all analogous means of raising a fund for the purposes of such Societies.

While this Bill (valuable so far as it goes) would clear up one point, it leaves many others untouched. Realising fully the awkwardness of Acts which are repealed for the purpose for which they were originally passed, yet are existing for another purpose, we incline to the opinion that it would be better at once to bring in an Act codifying the law on the subject, removing those restrictions which are found to be obsolete or ineffectual, and providing privileges similar to those which have been conferred on cognate Societies by legislation subsequent to the passing of the Building Societies' Act.

Existing Acts.

Only one Act has been passed regulating Building Societies. Thirty-three years have elapsed since it was enacted, and no alteration has been proposed in it. This Act, 6 and 7 William IV., c. 32, passed in 1836, incorporated with it the then existing Friendly Societies' Acts as far as they might be applicable to the purpose of any Benefit Building Society—viz., 10 George IV., c. 56, and 4 and 5 William IV., c. 40. These two last-mentioned Acts were repealed in 1840 as regards Friendly Societies by the Consolidation Act of 13 and 14 Victoria, c. 115. But by their incorporation in the Building Societies' Act they remain in full force as regards their Societies "as far as they may be applicable."

Some clauses of these incorporated Acts are clearly inapplicable, such as the objects of the Societies, the return of sickness experience, and the regulation as to rate of interest allowed by the Commissioners for the Reduction of the National Debt on their investments. Some are applicable, and applied, such as the arbitration clause, stamp-duties exemption, and modes of convening special meetings, while some others are on debatable ground, and it is a subject of doubt whether or not they would be held to be applicable if a case should arise upon them.

It must be admitted that this is an unsatisfactory state of the law; and when we find that the short Act itself, 6 and 7 William IV., c. 32, is in some respects unintelligible, and in other respects open to doubts which harass the mind of the

Registrar himself, it must be conceded that the time has arrived when the whole law should be consolidated and codified.

It is proposed to call attention to Building Societies as they exist under the present law, to point out the disputes and doubts as to the law, and suggest the basis of a new Act, in the hope that discussion may arise upon the question among those interested in it, which may eventuate in a good Bill to be brought in at an early period. There is no doubt that such a Bill, supported by the Building Societies, would readily be passed into law.

Extent of Building Societies.

It is difficult, if not impossible, to estimate the extent of Building Societies and the amount of the interests involved. No register is kept. The rules themselves are scattered among the records of the Clerks of the Peace of each county, and no one knows whether the Societies to which the rules belong are now in existence or if they have fulfilled their purpose and been dissolved. A writer * has stated that in 1866, 2,050 Societies had been registered, while new Societies were being formed almost daily. He estimates their yearly income at 4,000,000*l.* sterling. But, while these figures can only be a rough guess, they are certainly within the truth. One Society alone in London received over a million pounds last year; several others do two and three hundred thousand pounds; and in the provinces are many Societies whose income exceeds a hundred thousand pounds.

A very large amount of confidence is reposed in these institutions. They are increasing and spreading in every town. A great proportion of the money now advanced upon mortgages of house property is advanced by means of these Societies. It is found to be more advantageous to repay the principal with the interest by monthly instalments than only to pay interest half-yearly and leave the debt untouched. Another inducement and aid to the development of Building Societies is that the mortgage debt is not liable to be called in at the cost of fresh legal expense. The consequence is, that much of the money which previously was lent on small mortgages is now offered in deposit to Building Societies.

* Barry on Building Societies, pp. 4, 5.

Hence they become a medium or exchange where money seeking investment is brought to meet those who require it. An element of safety is introduced into the transaction by the repayments, which keep reducing the debt; so that there is less risk of loss by depreciation of the security than in the case of an ordinary mortgage.

Bases of Early Societies.

The kind of Building Societies which chiefly obtained at the time of the passing of the Act is pointed out to us by the second clause, which enacts—

"II. That it shall and may be lawful to and for any such "Society to have and receive from any member or members "thereof any sum or sums of money, by way of bonus, on "any share or shares, for the privilege of receiving the same "in advance prior to the same being realised, and also any "interest for the share or shares so received, or any part "thereof, without being subject or liable on account thereof "to any of the forfeitures or penalties imposed by any Act "or Acts of Parliament relating to usury."

Premium Societies.

As soon after the formation of a Society as the funds amounted to a share or more the privilege of receiving the advance was put up to auction. An open auction, however, was frequently avoided. The biddings were taken by tickets, which were collected in a bag or hat three times, and the highest bidder upon the third collection was entitled to the advance, or it was done by sealed offers opened like tenders. By this means a needy man was compelled to pay a large price for his advance, and, as it often turned out, a ruinous price. In some cases the premium so bid was deducted from the principal amount advanced. In others it was spread over a term, and increased the monthly payment. In any case, it was clearly an addition to the rate of interest, and as such was liable to come under the penalties of the usury laws. Hence the clause which we have just quoted, and this may be said to be the first branch lopped off that upas-tree. It was not wholly rooted up, however, till eighteen years after. (Aug., 1854.)

The heavy premium often paid by a member was found to work most injuriously. The needy man, having got the advance regardless of cost, found himself unable to keep up

his payments. The mortgage had to be foreclosed, and he found himself the loser of his property and often of what he had contributed to the Society. Many devices were tried to avoid heavy premiums. Rules were framed fixing a maximum, but, like all attempts to fix a price by law, they failed of their object. If a maximum premium was fixed by rule, there must then be a ballot to decide between two or more bidders of the maximum premium. The consequence was that speculators entered into competition with the real borrower, and, if one of the former was lucky enough to win the prize, he sold it to his less fortunate rival and pocketed the difference, so that the Society failed to gain what the member lost, and the remedy was worse than the disease, because if the extra premium went into the funds all participated in it, but when it went into the private pocket of a speculator he alone reaped the advantage. Societies were formed with a fixed premium payable monthly, some without premium at all, and a ballot or priority of application decided the rotation of the advance. The disadvantage was that no one could contract to buy a property, not knowing when the money could be had, and Societies continued to exist, small in numbers, weak in supporters, and to a great extent useless for the purposes for which they were intended.

Remedy for Excessive Premiums.

The supply of money was not equal to the demand. The only remedy was the free-trade one of allowing supply to flow where demand called for it. The necessity of borrowing money at the earlier stage of a Terminating Society was thus forced upon the attention of promoters of Building Societies, and successful Permanent Societies felt the constant necessity of borrowing or taking deposits.

Right to Borrow Money.

The most natural course was to take up loans from the bankers of the Society or others willing to lend, and by this means form a fund out of which advances should be made to members. There appears nothing in the Act condemning such a course. For many years it was a rule duly certified by the Registrar that the trustees might borrow money for the purposes of the Society. In those Societies where the premium system was adhered to it formed a source of profit. It had also the effect of lowering the premiums bid for the

right of advance. Other Societies were enabled to start on more liberal bases, and were beginning to prove their inherent value and take that place among provident institutions which they are yet destined to maintain.

Difficulties with the Registrar.

About the year 1857 the Registrar ceased to register such a rule for any Society afterwards enrolled. He said his attention had been drawn to a case where the practice was said to be illegal. He quoted "Dobinson *v.* Hawks," 12 L. T., p. 238. This is a leading case upon the question of who may be members of Building Societies, and it is clearly laid down in it that these Societies were meant for individuals, and that Joint-stock Companies could not be members. The action was by a Joint-stock Brewery Company against a Building Society. In the reports the terms Company and Society appear to be misplaced. The Company had borrowed money of the Society. They brought a suit to obtain a release of their property. It was held that such a Company could not be members of a Building Society. The register of members was not forthcoming to prove that they had been registered as members. It was decided that they were not and could not be members, and that, therefore, the *Company could not borrow money of the Society* in the form of shares. It was ordered that an account should be taken charging the Company 5 per cent. interest and crediting the payments. It was a Premium Society such as we have alluded to, and the Society lost the profit of the premium; but there does not appear, upon any report of the case, any statement that the Building Society had borrowed money.

Opinions taken by the Registrar.

The Registrar, to satisfy himself, appears about this time to have taken the opinion of the then Attorney-General (Sir R. Bethell) upon the question, for in Mr. Scratchley's work on "Building Societies" (p. 75, last edition) we find the following: "I am of opinion that a rule authorising the raising "of money for the purposes of a Society would be repugnant "to the fundamental principles of the Society, and that it "cannot be certified as a rule in conformity with law "and with the provisions of the statute. (July 6, 1857.)" Acting upon this opinion, the Registrar has since refused to certify any such rule. Many Societies, however, exist

which have the rule duly certified. No intimation was given to them that their rule was bad. The rule is valuable to them, and they continue to act upon it. If, however, it be bad in law, the Registrar's certificate cannot make it good. In any case it is a very anomalous position for Societies that one should have a rule certified which another cannot obtain.

With all deference to the opinion of Sir R. Bethell (now Lord Westbury), we are unable to follow his view of the matter, unsupported as it is by either arguments or cases. After twelve years of opposition to the opinion, it is gratifying to have a counter opinion of Sir Roundell Palmer, also in reply to a case stated to him by the Registrar, who says, "I "am not able to agree with the opinion formerly given by "Sir Richard Bethell. (June 7, 1869.)" With two such great legal luminaries so diametrically opposed we may be excused holding by our own opinion. Looking at Sir Richard Bethell's opinion, we would ask, What are the "fundamental "principles of the Society" to which this practice is opposed? The real "fundamental principle" appears to be the receiving money to create a fund which is to be lent out in accordance with the rules. The whole dealings of the Societies are in money. It is their commodity. The question is, Shall they receive money from others than their members, and in other forms than by share subscriptions? Those who hold that they shall not at least ought to be able to point out the law or the case where it is so laid down.

The question often appears to be argued as though Building Societies were Joint-stock Trading Companies, who wished to supplement their subscribed capital by loans to be lent out in works or speculations. They are talked of as though they were a Railway Company which had too much money borrowed in proportion to the capital. Even judges talk of the amount borrowed bearing some proportion to the capital of the Society. What, then, is the capital of a Building Society? Some Societies advertise their subscribed capital at the total amount of the shares when each has completed its term—that is, the ultimate amount of the contributions and interest. Such a sum is totally illusory. Others go to the opposite ex-

treme, and take the amount held belonging to depositing members, neglecting altogether the contributions of the borrowing members. In fact, there is no analogy between these Societies and Joint-stock Companies, and we are very apt to be led into confusion by discussion about capital. In regard to the question of security for the money borrowed, it is generally provided that in case of loss or deficiency members shall contribute *pro rata*, so that if a Society should be unfortunate a few months' extra contributions from all the members would choke the deficiency. All the money borrowed, in addition to the deposit subscription, is lent on mortgage. All that is required is to see that the Society can meet its engagements. The continuing members of a Society will take care not to let others withdraw without contributing to a loss if they are unfortunate. In all cases, instead of raising obstructions and enacting restrictions, it may safely be left to those having money to deposit that they will exercise ordinary caution, and see that the Society to which they will lend their money is able to repay them.

Notwithstanding the Registrar's refusal to certify borrowing powers, many new Societies continued the practice, whilst others evaded the difficulty by creating realised, paid-up, or realised preference shares, upon which, by the first clause of the Building Societies' Act, they were justified in paying out interest half-yearly. This clause reads thus :—

6 & 7 Wm. IV., c. 32.

"I. Whereas certain Societies, commonly called Building "Societies, have been established in different parts of the "kingdom principally amongst the industrious classes, for "the purpose of raising, by small periodical subscriptions, a "fund to assist the members thereof in obtaining a small "freehold or leasehold property, and it is expedient to afford "encouragement and protection to such Societies and the "property obtained therewith: Be it therefore enacted by "the King's most excellent Majesty, by and with the advice "and consent of the Lords Spiritual and Temporal, and Com-"mons, in this present Parliament assembled, and by the "authority of the same, That it shall and may be lawful "for any number of persons in Great Britain and Ireland to "form themselves into and establish Societies for the purpose

" of raising, by the monthly or other subscriptions of the " several members of such Societies, shares not exceeding the " value of one hundred and fifty pounds for each share, such " subscriptions not to exceed in the whole twenty shillings " per month for each share, a stock or fund for the purpose " of enabling each member thereof to receive out of the funds " of such Society the amount or value of his or her share or " shares therein, to erect or purchase one or more dwelling- " house or dwelling-houses, or other real or leasehold estate, " to be secured by way of mortgage to such Society until the " amount or value of his or her shares shall have been fully " repaid to such Society with the interest thereon, and all " fines or other payments incurred in respect thereof, and to " and for the several members of each Society from time to " time to assemble together, and to make, ordain, and consti- " tute such proper and wholesome rules and regulations for " the government and guidance of the same as to the major " part of the members of such Society so assembled together " shall seem meet, so as such rules shall not be repugnant to " the express provisions of this Act and to the general laws " of the realm, and to impose and inflict such reasonable " fines, penalties, and forfeitures upon the several members of " any such Society who shall offend against any such rules, " as the members may think fit, to be respectively paid to " such uses for the benefit of such Society as such Society by " such rules shall direct, and also from time to time to alter " and amend such rules as occasion shall require, or annul or " repeal the same, and to make new rules in lieu thereof " under such restrictions as are in this Act contained; pro- " vided that no member shall receive or be entitled to receive " from the funds of such Society any interest or dividend, by " way of annual or other periodical profit upon any shares in " such Society, until the amount or value of his or her share " shall have been realised, except on the withdrawal of such " member, according to the rules of such Society then in " force."

It has very properly been said to be " by no means a good " specimen even of the low standard of legislative composition." The peculiarity of its grammatical construction is at the

bottom of all the difficulties on this subject. What can be meant by Societies being established "for the purpose of "raising, by the monthly or other subscriptions of the several "members of such Societies, shares not exceeding the value of "150*l.* for each share, such subscription not to exceed on the "whole 20*s.* per month for each share, a stock or fund for "the purpose of enabling each member thereof to receive out "of the funds of such Society the amount or value of his or "her share or shares therein"? Is it the amount of the shares which is to be raised by the monthly or other subscriptions of the members? If so, what is the verb governing "a stock "or fund," &c.? Or is it that a fund is to be formed out of which advances in the form of shares are to be made to the members under restriction as to amount—viz., 150*l.* per share and 20*s.* per month repayment? It is as capable of the latter construction as of any other, and under such a reading there would be an authority to borrow money.

Realised Shares.

The proviso at the end of the clause "that no member "shall receive or be entitled to receive from the funds of such "Society any interest or dividend by way of annual or other "periodical profit upon any share in such Society until the "amount or value of his or her share shall have been "realised, except in the withdrawal of such member according "to the rules of such Society then in force," has been taken advantage of, and realised shares have been created by one payment, which then could bear interest, to be paid out half-yearly. For some years the Registrar has certified a rule to the effect limiting the value of the shares to 150*l.* only. The opinion of Sir Roundell Palmer seems to go to the position that upon these shares also not more than 20*s.* should be received in any one month, consequently that the value of the shares should not be fixed above 1*l.* each. These opinions seem to neglect the enactment that what is to be raised is by the monthly *or other* subscriptions. To remove the doubt, however, both on this point and that of borrowing money is the object of the short Bill brought into the House last Session, the text of which we print in the Appendix.

Subscriptions in Advance.

It is a practice in many Societies to receive subscriptions in advance. In some an equivalent discount is allowed for

the prepayment. A member pays three or six months' subscription down, and goes free for the rest of the stipulated term. Many members under this regulation pay quarterly when they get their rents. The Registrar now doubts if such a rule is in accordance with the Act where the amount so paid exceeds 1*l.* per share. He is now inclined to read the Act as strictly meaning that upon one share no more than 1*l.* can be taken in any one month. Such a restriction cannot be supported by any reasoning. It appears to us that if it applies to subscriptions in advance, it would equally apply to subscriptions in arrear; and who would say that a Society is not to receive arrears when the amount is more than 1*l.* per share?

It is a usual thing to allow a member to redeem his property at any time. The amount due is or ought to be a discounted prepayment of his subscriptions, and is always more than 20*s.* per share. Is it to be held to be contrary to law to redeem the mortgaged property?

Inutility of Restrictions.

It was decided in Morrison *v.* Glover, 15 L. T. rep. 111, that a member might hold more than one share. This renders the restriction as to the amount of a share or of the subscription thereon wholly inoperative. By decreasing the value of the shares and multiplying the number the difficulty may be evaded. But during the thirty-three years in which the difficulty was lying dormant there have been hundreds of Societies certified whose rules would be in contravention of law if the recent doubts have any foundation. Hence the necessity of an enactment sufficiently general to cover existing Societies, and to place their rules beyond cavil. It has never been urged that this practice is at all vicious or against sound polity. The difficulty is merely a technical one.

It has been said that Building Societies are not carrying out their original intention because they are so much larger than, and are composed of a different class from what was contemplated in the Building Societies' Act in 1836. It may well be conceded that these Societies are more extensive in their operations than could have been contemplated at that remote period. We could quote many subjects which have expanded

far beyond what the most sanguine could hope for in those days, and which are ranked among the blessings and advantages of enlightened legislation.

These Societies are not confined to what some would interpret as the limit of the expression "the industrious classes" used in the preamble. But the Act itself goes farther than the preamble, and makes it lawful for "any number of "persons" to form a Society.

The success which has attended these Societies, and the adhesion of the trading classes, may be a voucher for their sound commercial principles, entitling them to a legal status, free from unnecessary doubts and disputes.

But while considering the intention of the Legislature, how is the last section of the first clause to be accounted for? We are quite unable to understand any state of affairs at that time when shares which were fully realised could be required to be retained in a Society. Societies were all terminating ones. All the shares became realised at one period, and the Society then ceased to exist. Considering the Societies then in vogue, it appears conclusive that a class of realised shares was contemplated which could be created at an early period of the Society's existence; and such is the practice now in many Societies.

Epitome of Existing Societies.

The various Societies throughout the country create their funds by one or more of the following methods:—

1. By the ordinary subscriptions of the members.
2. By loans taken up by the trustees or directors, interest being usually paid out half-yearly.
3. By deposits at such rate of interest and withdrawable upon such notice as may be agreed upon. In some cases withdrawable on demand by cheques.
4. By paid-up, realised, or realised preference shares, interest being paid out half-yearly.

And the fund thus created is lent to members in shares, repayable in one or more of the following methods, or in a slight modification of some of them:—

1. In shares of a fixed amount, repayable by monthly subscriptions. Interest, and premium or redemption fee, being added to the monthly payments, some premiums

being fixed by the rules, others depending upon the biddings at a sale of shares.

2. In shares upon which a minimum annual payment is required, but any larger amount may be paid, interest (generally at 6 to 6½ per cent.) being charged upon the balance remaining due at the end of each year.

3. In shares of a nominal amount, to which is added a premium generally of 10 per cent., the security being taken for the larger sum, the repayments being as in the last case. Interest is generally charged at 5 per cent., and in case of redemption within ten years a proportionate part of the premium is allowed to the member withdrawing.

4. In shares (generally of 100*l.* to 120*l.* each), for which a fixed and definite number of monthly or quarterly payments are calculated and stipulated for.

5. In advances varying in amount as the term over which the repayments are to be spread, the monthly subscription, including interest, being a fixed amount per share upon all shares in the Society.

(In Cases 4 and 5 there is generally a loan fee charged upon the advance being granted. In Case 4 it is often made the price of immunity from future losses of the Society. The principle is that adopted by Mr. Scratchley, and said to be the foundation of Permanent Societies. In Case 5 the loan fee is to create a reserve fund, the tables being generally calculated with little or no margin for profit.)

6. In advances repayable without interest. In many of them, however, there is now an alternative ballot without interest and sales at a premium.

Societies in Class 6 have been self styled Mutual Societies. It does not appear on what their exclusive title rests. The advocates of the other systems all believe in the mutuality and generally in the superiority of their own Societies. It is not our business here to institute comparisons, or pronounce in favour of any one system over another, but rather to suggest enactments which will be sufficiently general to allow all honest Societies to meet and claim the protection of the law.

Necessity for General Powers in New Act.

It will be seen from a contemplation of the bases of existing Societies that every degree of difference is to be found in them, from the somewhat gambling system of balloting for money, to be had free of interest, to the mathematically calculated repayments involving a fixed rate of interest. We may infer that the most equitable and just are those likeliest to succeed. It would be unwise to attempt to restrict the mode of doing business. All matters of bargain should be left to the contracting parties. It may be desirable that the rules of each Society should clearly show how it is proposed to raise the funds, how advances shall be made, and upon what principle redemption may be made. With these data made known they may be left to court public support upon their merits.

Right of Redemption by Members.

The latter question is one of great importance. The most of the cases before the Courts in which Building Societies have been concerned raise the question of the terms upon which a mortgage could be redeemed. In the old Premium Societies an arbitrary term for the Society's existence was set up. Ten years were generally the time which their prospectus set out. Mr. Scratchley shows that it is impossible for a Society to run out in ten years at 10*s.* monthly subscription for 120*l.* shares, unless 14½ per cent. is realised on their money. The promoters could conceive no basis of calculation to solve the problem of how much was equitably due at any given time. Hence inevitable dissatisfaction when a mortgage was to be redeemed.

In the second and third cases the balance due usually appears upon the pass-book and in the Society's ledger. At the end of each year the interest is charged and the proportion of profits credited. The balance shows the debt due, subject to a provision in the rules, usually in Case 2, adding a redemption fee of, say, 1 per cent., in Case 3 crediting a proportion of the premium for the unexpired term contemplated at the time of the loan.

In Case 4 the redemptions are to be calculated by the consulting actuary. There is often a discretion allowing him to discount the redemption payment at a lower rate of interest than is involved in the original calculation. While we admit

that all such stipulations, forming part of a bargain, are binding, it would be well that members understood the effect of such a condition. The rates of repayment in the rules are calculated at 6 to 7 per cent., and the redemption may be calculated at not less than 3 per cent. If a person borrows for fourteen years, and at the end of four years wishes to redeem the ten years' charge yet to run, the actuary, by calculating the redemption at 3 per cent., secures to the Society, not only the 6 or 7 per cent. which it has got for the four years the money was out, but 3 to 4 per cent. upon the next ten years' payments, when the Society has the money in hand, which makes the transaction rather a costly one for the borrower.

In Case 5 tables are published with the rules, showing the amount due on redemption each month.

We cannot conceive that any one could ever wish to pay off in Case 6. If he should require to sell his property, he would immediately look out for another, so that he might secure the rents, while he gradually pays back the capital without interest.

In Case 1 the payments were (upon a share of 120*l.*) 10*s.* per month subscription, 10*s.* per month interest, and 1*s.* to 6*s.* per month premium. Although the total payment exceeds 20*s.* per month for a share, yet, as only part of it was called subscription, it was supposed to be within the letter of the law. In Case 4 principal and interest are mixed up, and only the actuary can tell how much is subscription of the capital and how much interest each month. These tables, however, have been regularly and commonly certified, although the monthly payments appear and are beyond 20*s.* for a share in a month. In Cases 2 and 3 the payments may be, and doubtless often are, more than this maximum; it is not customary to insert a limit in the rule fixing the maximum amount which any member may pay.

The Registrar and his Certificate.

When the Building Societies' Act was passed the office of Registrar of Friendly Societies and of Savings' Banks was then in existence. The same officer was, by the incorporation of the Friendly Societies' Act, constituted Registrar of Building Societies. He is now paid by salary for Friendly Socie-

ties' registration. He receives a guinea fee for every new rule or alteration of rule by Building Societies. His duty is to examine the rules, see that they are in accordance with law, advise with the secretary if anything objectionable should be found therein, and when found in accordance with law to certify the same. They then become binding on all members, and may be given in evidence. Production of a copy purporting to be signed by the Registrar is to be admitted as evidence of their registration, unless evidence to the contrary be produced. The Registrar sends the copy of certified rules to the Clerk of the Peace for the county where the Society meets, to be by him placed among the records of the county. There does not appear to be any account kept of the Societies enrolled—any number of Societies may be and are enrolled under the same or very similar names. No returns or statistics can be had. Societies dissolved give no notice to the Registrar.

Use of Certificate.

It was doubtless the intention of the Legislature that the rules, when certified, should be conclusive evidence of their legality. The tenor of the Friendly Societies' Acts was to free them from liability to expensive legislation. Within the past year, however, two Bills have been filed in Chancery seeking to declare the rules of Building Societies to be contrary to law.

If an official is appointed to examine rules, and see that they are in conformity with law, surely his certificate ought to be final. There ought to be no further doubts. Or, if doubts should arise, there ought to be a means of settling them, and rectifying rules without the expensive and annoying resource to the Court of Chancery. On the part of Friendly Societies it has been long complained that the Registrar's certificate was useless, and even misleading, seeing that the sufficiency of the rules and payments to secure the objects was not inquired into. How much greater cause of complaint have the members of Building Societies when rules are one day certified and the next refused a certificate, no notice being given to the Societies whose rules are afterwards believed to be not in accordance with law?

We seek exemption from such doubts and anomalies. If a

rule be presented to the Registrar which he considers illegal, and after consultation with the promoters or managers of the Society he sees no reason to alter his mind, let the Society agree with the Registrar to state a case for the opinion of the Court, and let any decision so arrived at have the force of a decision in a suit.

Alteration of a Certified Rule.

And when a rule has been already certified, and subsequent reasons cause doubts to exist in the Registrar's mind, a similar power to state a case and obtain an authoritative decision would avoid the differences now existing. In such a case it would be necessary to give notice to Societies acting under the illegal rule to amend or expunge the same. The Registrar should have power to give a certain time for such alteration, and, failing the alteration by the Society, it should be no longer entitled to the benefit of the Act. Such a neglect of the Registrar's notice might also be made a ground of application for winding up the Society.

Registrar's Fees.

The fees payable on registration of Friendly Societies were swept away, and the Registrar now receives a salary for his services in regard to these Societies. The fees payable under the old Act continue to be paid by Building Societies, and we suppose will be additional perquisites to the Registrar. We would not propose any exemption to Building Societies on this head. They are able and prepared to pay all necessary expenses attending their constitution, and would rather pay an extra fee than be subject to doubts and be liable to be harassed by suits or actions. We believe that no Society would object to pay the fee even on altering a rule at the request of the Registrar, on the ground that the guinea thus spent in avoiding suspicion and probable law costs was well invested.

Filing Balance Sheets.

While most cognate associations are now required to file balance-sheets, it will probably required of these Societies to do similarly. The Bill now before the House goes to this extent. Our experience leads us to attach very little importance to filing balance-sheets in a public office. On the part of Building Societies no objection would be made. We conceive, however, that the proposal now before Parliament is defective. 1st. Because the Registrar, having no pre-

sent list of Societies, is not in a position to say whether he gets balance-sheets of all existing Societies. 2nd. Although a member may sue for penalties, there is no mode provided by which he may know whether or not the balance-sheet has been filed. And, 3rd. There is no provision as to what the Registrar is to do with the balance-sheets when he gets them. The necessity for a thorough and efficient audit is one which we would at all times strongly urge.

Re-Registration of Existing Societies.

We would suggest that, upon the passing of an Act, all existing Societies should within a given time send the Registrar a copy of their present certified rules. If anything should appear in them repugnant to the Act, the Society should be at once required to alter or expunge it. From these rules the Registrar could form a register of existing Societies to which he could add all new Societies when certified. On the dissolution or extinction of a Society notice should be sent to the Registrar, who would enter it accordingly. Until such notice of extinction the penalties for non-registration of accounts to be in force. The Registrar would thus be enabled to see that each Society had filed its accounts. He, as well as a member, should have power to sue for penalties.

A small fee might be payable on the registration of every balance-sheet, for which a receipt or certificate of registration should be issued by the Registrar. This receipt or certificate should be exhibited in the Society's room, or produced to a member on demand, and the refusal to produce should render the officer liable to a penalty. The Registrar should make a schedule of the Societies and certain particulars from their balance-sheets, which would be the basis of statistics as at present is the case with Savings' Banks. The difference would be that Savings' Banks' accounts are all made up to one certain day in the year; Building Societies close their accounts on various days. It would be part of the register to show the time the balance-sheet is made up to, and the returns would be of all Societies whose accounts close on or before a given day.

Enrolment of Trustees.

It is not at present required that the appointment of trustees should be enrolled. In some Societies, however, it

is made a rule. It would be well that the law should require the registration of every newly appointed trustee. The property of the Society is vested in trustees, and upon a mortgage being paid off and property redeemed, or on the sale of property under the powers of sale in the mortgage deed, evidence is often required of the due appointment of the then trustees. A copy of the resolution certified by the Registrar might be made good proof that the trustee is duly appointed, and immediately vest the property in him.

Ancient Privileges.

It is interesting, on looking back to old privileges, to see how the march of progress has left them far in the rear, and what was once a valuable concession is shorn of much of its glories by the advanced state of society and its consequent improvements. The Act of 4 and 5 William IV., cap. 40, sec. 13, passed in 1834, and still in existence as regards Building Societies, enacts that all letters and packets to the Registrar are to go post free, and severe penalties are enacted against a Registrar using this privilege for other than official purposes. At that time letters were single, double, &c., and were charged according to distance.

The rates for an ordinary letter were—

Not exceeding	15	miles	.	.	4*d.*
Above	20	and not exceeding	30	miles	6*d.*
„	50	„	80	„	8*d.*
„	170	„	230	„	11*d.*
„	400	„	500	„	14*d.*

The rules of a Society would by these rates cost a heavy postage. Now, by the book post, they go any distance for 1*d.*, up to ¼lb. weight.

Rights of Societies and Members.

Upon a set of rules being duly certified members should be entitled to all the benefits and privileges of the Act. No doubt many of the privileges conferred by the Building Societies' Act of 1836 are now extinct, and many are practically valueless.

6 & 7 Wm. IV., c. 32, s. 2.

The repeal of the usury laws in 1854 renders the privilege in Clause 2 unavailing. The power given to the Court to appoint a person to convey when trustees are out of

10 Geo. IV., c. 56, s. 15, 16, 18, 19.

jurisdiction of the Court is also in most part superseded by recent enactments for relief, &c., of trustees. When this Act was passed County Courts had not been founded; now they have jurisdiction given them in Friendly Societies' cases, besides others both of law and equity. We have no hesitation in considering them the proper tribunal for

Do., s. 17.

Building Society disputes. The clause requiring barristers to move without fee has never been acted on by Building Societies, and is contrary to their self-supporting character. Even the stamp exemptions are shorn of much of their value. In 1836 stamp duties were heavy. A mortgage of 500*l.* was liable to 4*l.* stamp; receipt stamps were from 3*d.* to 10*s.* each. Now mortgages are charged only 2*s.* 6*d.* per cent., and the uniform receipt stamp of 1*d.* covers any amount.

Preferential Payment in cases of Death or Bankruptcy.

By the 4 and 5 William IV., c. 40, s. 12, Building Societies acquired the Friendly Society right of priority of payment in case of the death or bankruptcy of an officer having money in his hands belonging to the Society. The Bankruptcy Act of 1849 repealed the right as regards Building Societies. It still holds as regards Friendly Societies. It is believed to have been an oversight that Building Societies were not mentioned along with Friendly Societies. It is only another evidence of the difficulty and danger attending incorporating one Act with another for a special purpose, and then repealing it for its original purposes, but leaving it existing as incorporated. The majority of people looked upon an enactment in favour of Friendly Societies as extending to Building Societies. Such, however, is not the case unless it be expressly so stated. If an officer, at the time of his death, have either goods or money in his possession by virtue of his office, the ownership should not change by these occurrences. The property should be given up to the rightful owner. The new Bankruptcy Act is expected to modify the order and disposition clause of the old Acts, which was similar in principle to that which we are now objecting to. If goods were in the order and disposition of the bankrupt at the time of his bankruptcy they were held to belong to him, and the rightful owner lost his property. The tenor of the new law is that the owner should have his property

restored to him. We seek to restore a similar privilege to Building Societies in case of officers dying or being bankrupt with funds in their possession by virtue of their office.

Power of Nomination or Distribution.

The power of nomination by a member, or the right of distribution without administration of a member's effects who has had on deposit a sum not exceeding 50*l.*,—similar to that of Friendly Societies by 18 and 19 Vict., c. 61, s. 31, and of Industrial and Provident Societies by 25 and 26 Vict., c. 87, s. 16,—ought also to be extended to Building Societies. By the present law, 10 Geo. IV., c. 56, s. 24, Building Societies have the right to pay to representatives of deceased members deposits not exceeding 20*l.*, but there is not the power of nomination contained in the subsequent Acts above quoted.

Minors may be Members.

By section 32 of 10 George IV., cap. 56, minors may become members with the consent of their parents or guardians, and are empowered to execute all instruments, &c. It is doubted, however, whether a minor could become the owner of property, and give a legal mortgage thereof. It may not be necessary to alter the law of infancy further than to allow them to be depositing members, and on withdrawal to give quittances, &c.

Amalgamation.

Subsequent to the date of the Building Societies' Act it was found advisable to confer on Friendly Societies the right of amalgamating. By 18 and 19 Vict., c. 63, s. 14, it is declared lawful for two or more Societies to unite and become incorporated in one with or without dissolution or division of the funds, or for one Society to transfer its engagements to another Society. In many cases this would be found to be a very valuable privilege to Building Societies; and as Building Society calculations, by being divested of both health and life contingencies, are less complicated than those of Friendly Societies, the concession may the more readily be made. There are many small Societies whose expenses are a heavy charge upon the few members. There are other Societies in districts where all necessary branches are not supported. Some districts supply borrowing members, and some depositors only. In other places Societies started under

auspicious circumstances have met adverse ones, and prosperity leaves them. Then arises a demand for repayments of deposits. Borrowing members cannot be compelled to repay their advances quicker than was stipulated in the rules. The consequence is distrust and fear of loss, which are often more imaginary than real. The only course at present open is to induce borrowing members to obtain an advance from another Society, and pay the unfortunate one off. This is attended with expense to them. Surveyors and solicitors are to have fees,—new deeds are to be prepared. We would recommend that upon a resolution, duly arrived at by a majority, say, of two-thirds of the members of each Society, specially summoned to consider the matter—duly confirmed at another meeting held at least twenty-one days thereafter—the amalgamation should take place, and, upon a transfer by the trustees of the discontinuing Society, the assets should become vested in the new trustees. It would be proper to have a valuation of the assets, and in some cases a re-arrangement of the contributions. This might be done, and still leave the powers of sale, &c., in the mortgage-deeds in force to the trustees of the amalgamated Society as fully as they originally were. Such an enactment would be valuable, not only to many Societies now in existence, but would aid materially in the winding up of Societies, of which we shall have hereafter to treat.

Reconveyance.

One of the most valuable clauses in the 6 and 7 Wm. IV., c. 32, is the fifth clause, declaring a receipt endorsed upon a mortgage-deed to be sufficient discharge without a reconveyance, and it must by no means be omitted from a new Act.

The present Act, clause 3, also permits Societies to describe in their rules form of mortgage, transfer agreement, bond, or other instrument necessary for carrying the purposes of the Society into execution. To the list might be added the words "certificates and releases."

Stamp Exemptions.

From 1836 to 1868 these Societies were exempt from all stamp duties by 6 and 7 Wm. IV., c. 32, s. 8, and 10 Geo. IV., c. 56, s. 37. In 1868, near the close of the Parliamentary Session, there was a clause found inserted in

an Inland Revenue Bill abrogating this exemption upon mortgage-deeds for upwards of 200*l.* It almost passed before the Societies knew of it. Mixed up with various matters of inland revenue, it was nearly smuggled through the House before any one was aware of its existence. A few Societies heard of it, too late for organising opposition. Great annoyance was felt at the surreptitious manner in which it was introduced. The exertions of those who moved in the matter could only modify the clause so that the limit was fixed at 500*l.*, and words were inserted for the purpose of declaring that the reconveyance endorsed on the back of the mortgage-deed should not in any case be liable to stamp. The clause itself, as ultimately passed, reads thus:—

"The exemption from stamp duty conferred by the Act of "the sixth and seventh years of King William the Fourth, "chapter thirty-two, for the regulation of Benefit Building "Societies, shall not extend to any mortgage to be made after "the passing of this Act, except a mortgage to be made by a "member of a Benefit Building Society for securing the re-"payment to the Society of money *and* not exceeding five hun-"dred pounds: provided always that nothing herein contained "shall render any receipt given under the provisions of the "fifth section of the said Act liable to any stamp duty."

Complaints are made that it is unintelligible. It is an instance of the effects of verbally altering a sentence already formed,—more especially when part of it is considered to have some hidden effect not apparent on the surface. The Solicitor to the Treasury insisted on the form of the clause as it was originally brought in. With great difficulty he was brought to consent to the insertion of a proviso that stamps were not to be required on reconveyances. He had an idea that Building Societies lent to non-members, and that the wording of the clause in that case rendered them liable to stamps. Hence he adhered to the form.

When the clause was passed and printed it was found that one word "and" was not among those struck out, although intended to be. The effect is that the clause is practically unintelligible, although its intended meaning may be inferred.

An attempt has since been made to have the old exemption

restored—as yet without any apparent effect. If it should be found impracticable to restore the total stamp exemption, we may at least claim to pay only upon mortgages. By this means the whole of the money turned over by Building Societies would contribute once to the revenue. It might fairly be allowed that money at its inception should not be liable to stamp duty, whether the acknowledgment for it be by bond, certificate, or simple receipt.

Remedies. By 10 Geo. IV., c. 56, s. 21, all the property of the Society is vested in the trustee or treasurer, and in their successors without assignment or conveyance, and all actions are to be brought by and against the treasurer or trustee. The treasurer was added because Friendly Societies frequently had no trustee. Not having much property, they neglected appointing trustees; property, therefore, was vested in the treasurer. In Building Societies, however, trustees are necessary officers, and we believe no Society is without them. There is, therefore, no necessity to substitute or add the treasurer. The funds should vest and all actions be brought by or against the Society in the name of the trustee.

Arbitration. So much importance has been attached to the arbitration clauses of the Building Societies and Friendly Societies that we feel it will be necessary to give some reason for not concurring in the almost universal feeling in favour of arbitration.

When the Building Society Act was passed the only remedy for settling disputes was the expensive and slow process by the superior Courts. It was therefore a great privilege to have a civil action settled by the justices or by arbitration. In 1829 the 10 George IV., c. 56, s. 27 & 28, gave liberty to Friendly Societies to have their disputes settled by arbitration or by the justices, and in case of arbitration the justices were empowered to enforce their decision. In 1834 the 4 and 5 Wm. IV., c. 40, extended the privilege thus far—That when the rules of a Society provided for settling disputes by arbitration, and the Society neglected to appoint a reference, or the arbitrator refused or neglected to make an award, then the justices should decide.

Such are the enactments which regulate Building Socie-

ties; they have, however, been altered and repealed from time to time as regards Friendly Societies. We purpose to follow the Friendly Societies' law, to show what alteration experience has from time to time called for. In 1846 the 9 and 10 Vict., c. 27, allowed the Registrar to settle disputes when the subject-matter was under 20*l*. About this time the County Courts were established, and in 1855, when the Friendly Societies' Acts were repealed and a Consolidation Act (18 and 19 Vict., c. 63) passed, the jurisdiction of these Courts was extended to Friendly Societies' disputes. Where rules directed disputes to be settled by justices they were now to be settled by County Court; and similarly, when no mode of settling disputes was provided, the County Court was to be the tribunal to which they should all be referred. (Secs. 40 to 44 inclusive.) In 1858 it was decided to allow the Society the choice of having the justices to decide their disputes if they should so determine, the 21 and 22 Vict., c. 101, s. 5, enacting that when the rules so direct disputes may be settled by justices, and such is the present state of the law—Building Societies may have arbitrators or justices; Friendly Societies may have arbitrators, justices, or the County Court judge.

County Courts instituted 1846.

The idea of arbitration was to save expense, and it was believed that a sound, common-sense opinion might be had from independent gentlemen without rendering the Society or its member liable to heavy fees. The County Courts have provided a cheap remedy at every man's own door, and the large amount of varied business now being entrusted to them, both equity, admiralty, and bankruptcy, in addition to the common-law business for which they were originally founded, must be accepted as a proof of their utility and acceptability. The legal training and local independence of the County Court judges point to them as proper officials to deal with Building Society disputes. Happily disputes do not often arise, but experience teaches us that arbitration is neither a cheap nor efficient means of settling them when they do. In a recent case of dispute which would have been settled by the County Court judge in half an hour the three arbitrators claimed two guineas each, solicitor and witnesses were allowed on each side, so that the

costs were more like those of a superior Court than a cheap tribunal, and the decision was such that the tossing of a penny would have had more probability of deciding the merits of the case.

It has also been found in large Friendly Societies having branches throughout the kingdom that the arbitration of gentlemen residing near the head office was more unattainable, by reason of the expense of attending the hearing, than would be the superior Courts, and that the local County Courts would be a cheaper remedy. We would, therefore, propose that the County Courts should have jurisdiction in all matters affecting Building Societies in their disputes with members or those claiming under members.

Winding-up.

What bankruptcy is to a private trader winding up is to Companies. It is a matter unpleasant to contemplate, yet one which must find a place in any codification of Building Society law. It is now clear that the only resource for a Society unable to meet its engagements, and which cannot arrange its affairs privately, is the winding-up department of the Court of Chancery. It is no libel on that honourable Court to say that its proceedings are too protracted and costly to meet the approval of the Building Society world. A less expensive and more summary jurisdiction is more in conformity with legislation for similar Societies. The business of these Societies being of so simple a nature, the settling contributaries which on each occasion occupies so much time in the Court of Chancery would in these cases be soon effected. In case of disaster to a Society the chief requisite is to realise the outstanding mortgages and distribute the assets. If there is a deficiency, then a month or two's extra contributions by each member chokes the deficit. In case of a surplus it is to be returned to them.

Setting aside the Court of Chancery, we have the choice of two methods for compulsory winding up. The one is to vest the Registrar with such functions, the other is to refer them to the local County Courts. Local liquidators must in either case be appointed. Their duty will be to receive the periodic contributions of the advanced members, and facilitate redemption of mortgages, so as to get the whole assets realised as

speedily and as economically as possible, and divide them. Friendly Societies may be wound up voluntarily, or under an order of the Registrar. Industrial and Provident Societies are to be wound up by the County Court of the district in which the business is carried on. In the case of Building Societies we incline to favour the jurisdiction of the County Courts. One tribunal would then have cognisance of the Societies, settling their disputes, and winding them up.

23 & 24 Vic., c. 58, s. 1-3.

25 & 26 Vic., c. 87, s. 17.

On dissolution as well as on winding up, notices should be required to be sent to the Registrar, that he might take the name off his register.

Among the grounds for obtaining a winding-up order might be—

1. Neglecting or refusing for a given time to obey the award of the Court in settlement of a dispute.
2. Neglecting or refusing for a given time to pay or satisfy a judgment obtained by a creditor, or suffering execution to issue.
3. Engaging in business not contemplated by the rules.
4. Neglecting for a given time to file balance-sheets with Registrar, or alter rules when required by the Registrar.

The latter case may seem small to incur the liability of being wound up for. But well-meaning Societies will not be found so offending, and some remedy must be had against a Society which will pretend to act upon a rule authoritatively declared to be contrary to law. It might be advisable in the latter case to entitle the Registrar to petition against a Society. Members might not be found willing so to do.

Freehold Land Societies.

Some writers on Building Society topics have considered it would be advisable to empower such Societies to purchase land, and apportion it among the members as building-sites, or to erect dwelling-houses thereon and apportion them. Freehold Land Societies have conducted similar pursuits under cover of Building Society rules; but it has been decided that it is contrary to law. The manager, or whoever buys the land, does so at his or their individual risk. No doubt the object is a very laudable one, more especially when the

dwellings so erected have particular attention paid to the sanitary appliances so conducive to health and comfort. But it does not appear to us to fall within the sphere of a Building Society. Our feeling would be to keep the two classes of Society distinct. The business of a Building Society is to deal in money only; to be mortgagee, not owner. It should be an exchange into which to bring money seeking permanent investments to be lent out on real securities, repayable by periodic contributions. The element of buying and selling is distinct from its proper functions. In a Building Society proper the element of speculation is eliminated. The case is different in dealing in land and building houses.

Right to have or Purchase a Place of Meeting.

But while we would not wish to see Building Societies dealing in land or buildings, there is one power to be desired which Friendly Societies and cognate Societies have attained by Acts subsequent to the Building Societies' Act, that is the right to buy or lease premises for carrying on their business and holding their meetings in, or land not exceeding an acre to erect such upon.

18 & 19 Vic., c. 63, s. 16.

This right seems one to which Building Societies are peculiarly entitled. As they seek to assist their members to become owners of their own dwellings or place of business, so the aggregate of members should also be enabled to be the owners of the place of conducting the Society's business.

Building Societies or Joint-stock Companies.

Some express the opinion that the objects contemplated by Building Societies could be as well if not better performed by Joint-stock Companies. Some have gone as far as to urge Building Societies to throw up all their privileges and become Joint-stock Companies. We may assume that the reasons urged have not appeared very conclusive as no Societies have followed the advice.

Joint-stock Companies are being promoted for Building Society and freehold-land purposes. For the former—which we have advocated should be kept separate from the latter—we submit that the present constitution is most favourable for their development, and most likely to sustain the confidence of the public.

A Joint-stock Mortgage Company must require a capital

and receive deposits to enable it to carry on business. The necessity for the capital would soon force the directors to call it all up. There would then be no margin to secure depositors if the Company should be unfortunate. Depositors would become wary of investing with such Companies. Again, borrowers in Building Societies are often content to pay a high rate of interest, because in the division of the profits they get part of it back again. In a Joint-stock Company this excessive charge would be necessary to provide dividends for the shareholders; so that to neither depositors nor borrowers would the change be an improvement. Only the shareholders in the Company would be benefited by it. At present if a Building Society is unfortunate, the payment of a few months' subscriptions more than was calculated will meet the deficiency. Although it has very seldom had to be resorted to, yet there can be no doubt that this unlimited partnership has conduced to the stability and prosperity of these institutions. They have in them the germ of increased success and usefulness. Our desire is to have the law cleared up, and the Societies so established that, free from doubts and unharassed by threats of legal proceedings, they may honestly and honourably perform their functions.

No Societies are free from the vices which more or less affect all mundane affairs. But we do believe that Building Societies afford as few instances of loss and misappropriation of funds as any Societies transacting a similar amount of business. Many of those which have occurred have been rendered more easy of accomplishment by the doubts which have been thrown upon the powers of these Societies. To clear up these doubts and enable Societies to conduct all their business in the light of day should be the aim of a codification of the law. The proposals which we have made upon the subject, we believe, tend in that direction. We wish the subject to be ventilated and thoroughly discussed. We not only invite discussion upon the topics herein treated of, but also will be glad of suggestions if any point is omitted. If the leading Societies in London and the large towns will take up the subject, and agree upon the requirements of a Bill, the Legislature will doubtless at their request pass it

into law. There is a strong feeling in the present Parliament, on both sides of the House, to strengthen and consolidate Societies having for their object to aid and ameliorate the condition of the people. All reasonable proposals with this object are sure of a careful and candid attention. We therefore believe that the present is a favourable time to discuss the question, and if possible agree upon a Bill to be introduced next Session.

In the meantime, however, there could be no objection to the Bill at present before Parliament being passed into law. We append the text of it, and also a *résumé* of the points which we suggest as the heads of a new Bill.

POINTS SUGGESTED

AS THE HEADS OF

A NEW ACT ON BUILDING SOCIETIES.

1.—*Constitution of Societies.*

Repeal of existing Acts and substitution of this Act. See 18 & 19 Vic., c. 63, s. 1.

Subsisting Societies, their contracts, engagements, bonds, and securities to remain in force. Do., s. 2 & 4.

Within of the passing of the Act, subsisting Societies to deposit with the Registrar copy of their existing duly certified rules; and upon a certificate by the Registrar under this Act that such rules are in conformity with law and the provisions of the Act, the Society shall be entitled to all the privileges of the Act.

New Societies may be formed of any number of persons, partnerships, or companies, who may make rules, appoint trustees, and other officers, and committees to carry out such rules, and alter and amend such rules from time to time. Comp. 10 Geo. IV., c. 56, s. 2; 18 & 19 Vic., c. 63, s. 9 & 17.

All alterations of rules or appointments of new trustees to be done by a special meeting of the Society, of which every member shall have fourteen days' notice sent to his address as it appears by the register of the Society; a majority of two-thirds of the members present being required to alter a rule or pass a new one. See 10 Geo. IV., c. 56, s. 9.

All rules of new Societies, every alteration in the rule, and appointment of a new trustee to be certified by the Registrar See 18 & 19 Vic., c. 63, s. 26 & 27.

upon proof of the requirements of the law having been adhered to, and on being satisfied that the proposed rules are in conformity with law.

See 18 & 19 Vic., c. 63, s. 18. Registrar's certificate of the registration of a resolution of appointment of new trustee to be evidence thereof, and vest all the funds and effects in trustees.

Do., s. 23. On removal of principal office or place of meeting, dissolution, amalgamation, or extinction of a Society notice to be sent to the Registrar within one calendar month.

2.—*Objects of Societies.*

To raise a fund by the contributions of its members, and by deposits or loans from members and other persons, out of which advances are to be made to members on security of real and leasehold property, repayable by such instalments or contributions, and at such rate of interest or redemption as may be agreed upon.

It shall be lawful in the rules of any Society to provide for degrees of preference to be given to depositors or others, and it shall be requisite that the rules state how the funds of the Society shall be raised.

The rules shall also provide the terms upon which advances are to be made, and prescribe how the amount due on redemption shall be ascertained, or by whom it shall be decided.

The rules may also impose reasonable penalties for neglect to pay, or for breach of rules or other defaults.

They may also prescribe forms of mortgage, release, agreements, bonds, certificates, and transfer of shares, &c., &c.

See 18 & 19 Vic., c. 63, s. 6.

3.—THE REGISTRAR:

APPOINTMENT AND QUALIFICATION.

Duties.

To receive the rules of existing Societies, certify them if according to law, and file copy. In case of anything objectionable, to refer them back to the Society for alteration.

To examine and certify all new rules, alteration of rules, and appointment of trustees.

To make and keep a register of all existing Societies so certified, and all new Societies as certified, of their trustees, with all alterations thereof, and of the dissolution or amalgamation of the Societies.

To receive annually register and file copy of the balance-sheets of every registered Society, and issue certificates of the receipt thereof.

Rules, alteration, and enrolment of trustees, purporting to be signed by the Registrar, to be received in any Court in the absence of any evidence to the contrary. 18 & 19 Vic., c. 63, s. 30.

Rules, when certified, to be binding on all the members.

Registrar's certificate to be conclusive evidence that rules are in conformity with law. No question to be thereafter raised thereon in any Court of law or equity except in the manner hereinafter appointed.

If at any time doubts shall arise in the mind of the Registrar upon the legality of any rule previously certified by him, or if he shall reject a rule presented to him for registration, and the Society presenting it shall request it, then the Registrar shall state a case to the Court of Chancery, and take the opinion of the Court thereon, such opinion to be thereafter received as a legal decision upon and an interpretation of the law.

Upon it appearing to the Registrar that any rule previously certified by him is not in accordance with law, he shall give notice to every Society using such rule, and require them within three calendar months to present to him an amended rule or a resolution cancelling such rule as the case may require, under penalty on the neglect thereof of such Society forfeiting all privileges under this Act, and being liable to be wound up on petition.

Any one circulating a false copy of the rules or other document purporting to be signed by the Registrar to be guilty of a misdemeanour. 18 & 19 Vic., c. 63, s. 29.

No Society (in future) to be registered under same name as any existing registered Society. 25 & 26 Vic., c. 87, s. 8.

REMUNERATION OF REGISTRAR.

The Registrar shall be entitled to receive from each Society the following fees :—

On registration of new rules and certificate	£1	1	0
On the alteration of rules, per rule altered	0	5	0
(So as not to exceed on the whole £1 1s.)			
On registration of a new trustee and certificate thereof	0	2	6
On registration of annual balance-sheet .	0	1	0
On stating a case for the opinion of the Court	2	2	0
(And all costs out of pocket.)			

4.—Rights of Members and Society.

18 & 19 Vic., c. 63, s. 15. On registration of rules Society shall have legal existence. Minors may be depositing members.

18 & 19 Vic., c. 63, s. 31; 25 & 26 Vic., c. 87, s. 16. On the death of a member or depositor whose interest in a Society does not exceed 50*l.*, Society may pay to person nominated by deceased member, or divide among next of kin of the nominator without a will or administration.

18 & 19 Vic., c. 63, s. 23. On death, bankruptcy, &c., of any officer having funds in hand by virtue of his office, Society to have preferential claim.

Do., s. 16. Societies may purchase or lease premises for place of meeting and for conducting their business, or land not exceeding an acre for the purpose of erecting such premises.

See 18 & 19 Vic., c. 63, s. 37; 6 & 7 Wm. IV., c. 32, s. 8. All rules, deeds, bonds, certificates, notes, receipts, and other documents to be free of stamp duty.

6 & 7 Wm. IV., c. 32, s. 5. Receipts endorsed upon mortgage-deeds to be sufficient discharge without reconveyance.

18 & 19 Vic., c. 63, s. 14. Societies may amalgamate or transfer their liabilities and assets to another Society upon such terms as may be agreed upon by a resolution of each Society, signified by a majority of two-thirds of the members present at a special meeting called for the purpose, and upon these resolutions being confirmed by a subsequent meeting at least twenty-one days thereafter, and an agreement being entered into between the trustees of each Society, the agreement to be binding, and all rights and remedies belonging to the discontinuing Society to vest in trustees of absorbing Society.

The trustees of every Society shall once in each year, at a time to be specified in the rules, cause a full account of the receipts and expenditure of the Society and a statement of the assets and liabilities of the Society to be prepared, and have it duly audited by one or more competent persons appointed by the Society. The statement of the liabilities of the Society shall set forth the amounts due under each of the classes by which the funds are to be raised, as provided by rule, stating what, if any, preferences are contracted to be extended to any class thereunder. The statement of assets shall distinguish between the amounts due by members as mortgagors and any other asset in the Society's possession.

See 18 & 19 Vic., c. 63, s. 45; 23 & 24 Vic., c. 58, s. 7; 25 & 26 Vic., c. 87, s. 24 & 25.

A copy of the balance-sheet to be filed with the Registrar within one month of the date of each annual meeting, and a certificate by the Registrar of the due filing thereof to be produced to any member on demand, or exhibited in the Society's office, under penalties to be recovered by a member or by the Registrar in the local County Court.

5.—*Remedies of Members and Others.*

The Society to sue and be sued in the name of the trustees.

See 18 & 19 Vic., c. 63, s. 19; or 21 & 22 Vic., c. 101, s. 7.

All disputes between the Society and any member or person claiming under any member to be settled by the Judge of the County Court having jurisdiction where the office or agency of the Society to which the member contributed shall be situate.

See 18 & 19 Vic., c. 63, s. 40, 41, & 42.

Societies may be wound up voluntarily or by the Court, the Court having jurisdiction being the County Court of the district in which the head office of the Society is situate.

See 25 & 26 Vic., c. 87, s. 17 & 18.

Lord Chancellor to draw up rules and orders for County Court.

18 & 19 Vic., c. 63, s. 43.

Punishment of fraud in withholding money, &c.

Do., s. 24; and 10 Geo. IV., c. 56, s. 25.

If a Society shall allow judgment to go against it for any claim due, so that execution might issue, or shall suffer any of its effects to be taken in execution, or if any award of the judge arbitrating between any member and the Society be not duly performed within the time ordered by the judge, the Society to be liable on petition to be wound up.

TEXT OF A BILL

TO

AMEND THE ACT FOR THE REGULATION OF BENEFIT BUILDING SOCIETIES.

(Prepared and brought in by Mr. Gourley, Sir Roundell Palmer, *and* Mr. Stevenson.)

[*August* 4, 1869.

Whereas, by an Act passed in the Session of Parliament held in the sixth and seventh years of the reign of his late Majesty King William the Fourth, intituled "An Act for "the Regulation of Benefit Building Societies," after reciting that "certain Societies, commonly called Building Socie- "ties, had been established in various parts of the kingdom, "principally amongst the industrious classes, for the purpose "of raising, by small periodical subscriptions, a fund to "assist the members thereof in obtaining a small leasehold "and freehold property, and that it was expedient to afford "encouragement and protection to such Societies and the "property obtained therewith, it was enacted that it should "and might be lawful for any number of persons in Great "Britain and Ireland to form themselves into and estab- "lish Societies for the purpose of raising, by the monthly "or other subscriptions of the several members of such "Societies shares not exceeding the value of one hundred "and fifty pounds for each share (such subscriptions not "to exceed in the whole twenty shillings per month for "each share), a stock or fund for enabling each member "thereof to receive out of the funds of such Society the

" amount or value of his or her share or shares therein, to " erect or purchase one or more dwelling-house or dwelling- " houses, or other real or leasehold estate, to be secured " by way of mortgage to such Society until the amount or " value of his or her share shall have been fully repaid to " such Society, with the interest thereon, and all fines or other " payments incurred in respect thereof;" and it was further enacted that it should be lawful to and for the members of each such Society as aforesaid " from time to time to assemble " together, and to make, ordain, and constitute such whole- " some and proper rules and regulations for the government " and guidance of the same as to the major part of the " members of such Society so assembled together should " seem meet, so as such rules should not be repugnant to the " express provisions of the said Act and to the general laws " of the realm:"

And whereas doubts have arisen whether it is lawful for Societies so constituted as aforesaid to make, ordain, and constitute such rules and regulations as aforesaid, when the same are so framed that they enable the Society to borrow money for the use of the Society, or to raise money by means of paid-up shares:

And whereas it would greatly contribute to the promotion and advantage of Building Societies and to the security of the industrious classes who have invested their earnings therein if all such doubts were removed, and if other provisions were made for protecting the funds of such Societies:

Be it, therefore, enacted by the Queen's most excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

1. No rule or regulation for the government or guidance of any Building Society which has been or may hereafter be in other respects duly made, ordained, and constituted, shall be deemed to be repugnant to the express provisions of the said recited Act or to the general laws of the realm because it provides for the borrowing of money for the purposes of

the Society, or because it provides for the raising of money by the issue of shares commonly called or known as "fully "paid-up shares" or "realised deposit or preference shares."

2. The proper officer of every Building Society shall once a year lodge with the Registrar of Building Societies an account setting forth the funds of the Society and how the same are invested, and distinguishing between the funds raised by subscriptions on ordinary shares and funds raised by the means mentioned in the preceding section of this Act.

3. Any officer of a Building Society whose duty it is to render such account as aforesaid shall, for every omission so to do, forfeit *twenty pounds*, to be recovered in the County Court of the district wherein the chief office of the Society is situated on the suit of any member of the Society, half of which sum shall be received by the plaintiff, and be applied by him to his own use, and the remainder shall be paid into the funds of the Society, and any officer rendering a false statement of account shall be deemed guilty of a misdemeanour.

4. The "proper officer" for the purposes of this Act is hereby declared to be the manager or secretary of the Society or other the officer, by whatever title designated, who acts as manager.

W. Speaight and Sons, Printers, Crane-court, Fleet-street, E.C.